

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 2
ANNUAL FINANCIAL STATEMENTS
December 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Fire District No. 2

We have audited the accompanying financial statements of the governmental activities and the major fund, which collectively comprise the basic financial statements of **ST. TAMMANY PARISH FIRE DISTRICT NO. 2**, a component unit of the St. Tammany Parish Council, as of December 31, 2004 and for the two years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** as of December 31, 2004, and the results of its operations for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the District adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements* as of January 1, 2003. This results in a change in the form and content of the basic financial statements.

The Management's Discussion and Analysis on pages 4 and 5 and the budgetary comparison schedules identified on pages 27 and 28 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 2, 2005, on our consideration of the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



A Professional Accounting Corporation

May 2, 2005

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. TAMMANY PARISH FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004 and 2003

As management of ST. TAMMANY PARISH FIRE DISTRICT NO. 2 ("District"), we offer this discussion and analysis of the District's financial activities for the two fiscal years ended December 31, 2004.

The Management's Discussion and Analysis ("MD&A") is an element of the new reporting model adopted by the Government Accounting Standards Board ("GASB") in their Statement No. 34 issued in June 1999. As this is the first year that the District has implemented this model, certain comparative information with the previous year is omitted.

As with other sections of this financial report, the information contained with this MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information that is provided in addition to this MD&A.

Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 10. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of the St. Tammany Parish Council. Its operations are conducted through a general fund.

A summary of the basic government-wide financial statements is as follows:

SUMMARY OF STATEMENT OF NET ASSETS

	<u>2004</u>
ASSETS:	
Other Assets	\$ 730,004
Capital Assets (Net of Accumulated Depreciation)	<u>1,377,353</u>
Total Assets	2,107,357
LIABILITIES:	
Current Liabilities	11,131
Noncurrent Liabilities	<u>333,673</u>
Total Liabilities	\$ <u>344,804</u>
NET ASSETS:	
Invested in Capital Assets, (Net of Related Debt)	\$ 1,080,549
Unrestricted	<u>682,004</u>
Net Assets	<u>\$ 1,762,553</u>

**ST. TAMMANY PARISH FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004 and 2003**

SUMMARY OF STATEMENT OF ACTIVITIES

	<u>2004</u>	<u>2003</u>	<u>Change</u>
REVENUES:			
General Revenues			
Property Taxes	\$ 617,134	\$ 542,589	\$ 74,545
State Revenue Sharing	23,126	23,093	33
Other	35,079	44,320	(9,241)
Capital Grants and Contributions	<u>106,192</u>	<u>-</u>	<u>106,192</u>
 Total Revenues	 <u>781,531</u>	 <u>610,002</u>	 <u>171,529</u>
EXPENSES:			
Fire Protection	676,339	574,530	101,809
Interest on Long-Term Debt	<u>7,881</u>	<u>7,940</u>	<u>(59)</u>
 Total Expenses	 <u>684,220</u>	 <u>582,470</u>	 <u>101,750</u>
 Change in Net Assets	 <u>\$ 97,311</u>	 <u>\$ 27,532</u>	 <u>\$ 69,779</u>

Capital Assets and Debt

In 2003 capital assets increased by \$66,558 which was the result of \$123,387 in capital additions and \$56,829 in depreciation. In 2004, capital assets increased by \$106,393 which was the result of \$162,329 in capital additions and \$55,936 in depreciation. In 2003, total debt increased by \$98,205 which was the result of the issuance of \$122,000 certificate of indebtedness less \$23,795 in principal payments. In 2004, total debt increased by \$94,827, which was the result of the issuance of \$143,000 certificate of indebtedness less principal payments of \$48,173.

General Fund Budgetary Highlights

In 2003, actual revenues exceeded budget by \$66,967 and expenditures exceeded budget by \$129,037. In 2004, actual revenues exceeded budget by \$174,531 and actual expenditures exceeded budget by \$215,207. These variances were due to the District not amending its budget for increases in Ad Valorem taxes and for issuance of certificates of indebtedness in both years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Chief Mike Stein, P.O. Box 795, Madisonville, Louisiana 70447.

BASIC FINANCIAL STATEMENTS
GOVERNMENTAL WIDE FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE DISTRICT NO. 2
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 35,199
Investments	63,725
Receivables - Ad Valorem Taxes	606,360
Receivables - Revenue Sharing	23,091
Deposits	1,629
Capital Assets (Net of Accumulated Depreciation)	<u>1,377,353</u>
Total Assets	<u>2,107,357</u>
LIABILITIES	
Accounts Payable	5,848
Accrued Expenses	5,283
Compensated Absences	36,869
Capital Lease	
Due Within One Year	26,631
Due in More Than One Year	28,173
Certificates of Indebtedness	
Due Within One Year	51,000
Due in More Than One Year	<u>191,000</u>
Total Liabilities	<u>344,804</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,080,549
Unrestricted	<u>682,004</u>
Total Net Assets	<u>\$ 1,762,553</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004**

<u>Activities</u>	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Fire Protection	\$ 676,339	\$ 106,192	\$ (570,147)
Interest on Long-Term Debt	<u>7,881</u>	<u>-</u>	<u>(7,881)</u>
	<u>\$ 684,220</u>	<u>\$ 106,192</u>	<u>(578,028)</u>
General Revenues:			
Taxes -			
Property Taxes			617,134
State Revenue Sharing			23,126
Rentals			16,181
Fire Insurance Rebate			17,324
Earnings on Investments			788
Miscellaneous			<u>786</u>
Total General Revenues			<u>675,339</u>
CHANGE IN NET ASSETS			97,311
NET ASSETS - BEGINNING			<u>1,665,242</u>
NET ASSETS - ENDING			<u>\$ 1,762,553</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

<u>Activities</u>	<u>Expenses</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:		
Fire Protection	\$ 574,530	\$ (574,530)
Interest on Long-Term Debt	<u>7,940</u>	<u>(7,940)</u>
	<u>\$ 582,470</u>	<u>(582,470)</u>
General Revenues:		
Taxes -		
Property Taxes		542,589
State Revenue Sharing		23,093
Rentals		5,007
Fire Insurance Rebate		16,169
Earnings on Investments		1,557
Miscellaneous		<u>21,587</u>
Total General Revenues		<u>610,002</u>
CHANGE IN NET ASSETS		27,532
NET ASSETS - BEGINNING		<u>1,637,710</u>
NET ASSETS - ENDING		<u>\$ 1,665,242</u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2004**

	<u>General Fund</u>
ASSETS	
Cash	\$ 35,199
Investments	63,725
Receivables - Ad Valorem Taxes	606,360
Receivables - Revenue Sharing	23,091
Deposits	<u>1,629</u>
Total Assets	<u>\$ 730,004</u>
LIABILITIES	
Accounts Payable	\$ 5,848
Accrued Expenses	<u>5,283</u>
Total Liabilities	<u>11,131</u>
FUND EQUITY	
Fund Balance	
Unreserved	<u>718,873</u>
Total Liabilities and Fund Equity	<u>\$ 730,004</u>
Total Fund Equity	<u>\$ 718,873</u>
Amounts Report for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not reported in the fund.	1,377,353
Long-Term Liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(333,673)</u>
Net Assets of Governmental Activities	<u>\$ 1,762,553</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND**

For the Year Ended December 31, 2004

	<u>General Fund</u>
REVENUES	
Ad Valorem Taxes	\$ 617,134
Revenue Sharing	23,126
Rentals	16,181
Grant	73,992
Donations	32,200
Fire Insurance Rebate	17,324
Earnings on Investments	788
Miscellaneous	<u>786</u>
Total Revenues	<u>781,531</u>
EXPENDITURES	
Salaries	253,544
Grant Expenditures	72,099
Insurance	61,041
Retirement	44,157
Communications	33,656
Repairs and Maintenance	33,533
Operating Supplies	25,868
Pension Deduction	17,594
Professional Services	16,965
Fuel	11,781
Utilities	9,012
Uniforms	6,188
Education and Training	6,037
Other	5,326
Payroll Taxes	4,410
Office Supplies	2,548
Debt Service - Capital Lease	
Principal	25,173
Interest	4,631
Debt Service - Certificates of Indebtedness	
Principal	23,000
Interest	3,315
Capital Expenditures	<u>162,329</u>
Total Expenditures	<u>822,207</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(40,676)
OTHER FINANCING SOURCES	
Proceeds from Certificate of Indebtedness	<u>143,000</u>
NET CHANGES IN FUND BALANCE	102,324
FUND BALANCE - BEGINNING OF YEAR	<u>616,549</u>
FUND BALANCE - END OF YEAR	\$ <u>718,873</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND**

For the Year Ended December 31, 2003

	General Fund
REVENUES	
Ad Valorem Taxes	\$ 542,589
Revenue Sharing	23,093
Rentals	5,007
Fire Insurance Rebate	16,169
Earnings on Investments	1,557
Miscellaneous	<u>21,587</u>
Total Revenues	<u>610,002</u>
EXPENDITURES	
Salaries	256,967
Insurance	54,616
Communications	35,865
Retirement	33,984
Operating Supplies	29,830
Repairs and Maintenance	27,242
Pension Deduction	15,756
Other	14,584
Professional Services	14,547
Utilities	8,534
Education and Training	7,127
Fuel	6,447
Payroll Taxes	5,189
Uniforms	3,736
Office Supplies	3,276
Debt Service - Capital Lease	
Principal	23,795
Interest	6,008
Debt Service - Certificate of Indebtedness	
Interest	1,932
Capital Expenditures	<u>123,387</u>
Total Expenditures	<u>672,822</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(62,820)
OTHER FINANCING SOURCES	
Proceeds from Certificate of Indebtedness	<u>122,000</u>
NET CHANGES IN FUND BALANCE	59,180
FUND BALANCE - BEGINNING OF YEAR	<u>557,369</u>
FUND BALANCE - END OF YEAR	<u>\$ 616,549</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004**

Amounts reported for governmental activities in the Statement of Activities (page 8)
are different because:

Net Change in Fund Balances - Total Governmental Fund (page 12)	\$ 102,324
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by, which capital outlays exceeded depreciation in the current period.	106,394
Change in Compensated Absences Payable	(16,580)
The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(94,827)</u>
Change in Net Assets of Governmental Activities item (page 8)	<u>\$ 97,311</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003**

Amounts reported for governmental activities in the Statement of Activities (page 9)
are different because:

Net Change in Fund Balances - Total Governmental Fund (page 13) \$ 59,180

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by,
which capital outlays exceeded depreciation in the current period. 66,558

The issuance of long-term debt (e.g., certificates of indebtedness, leases)
provides current financial resources to governmental funds, while the
repayment of the principal of long-term debt consumes the current
financial resources of governmental funds. Neither transaction,
however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar
items when debt is first issued, whereas these amounts are deferred
and amortized in the statement of activities. This amount is the net
effect of these differences in the treatment of long-term debt and
related items. (98,206)

Change in Net Assets of Governmental Activities item (page 9) \$ 27,532

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** (the District) conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

HISTORY

The District was created by the St. Tammany Parish Council on January 15, 1953. The District serves the area of Ward 1 of St. Tammany Parish.

REPORTING ENTITY

The District is governed by a Board of Commissioners, which is appointed by the Parish Council. As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (parish council) (b) organizations for which the primary governments are financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Parish Council appoints all members of the District and as such is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

BASIS OF PRESENTATION

The accompanying basic financial statements of the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund.

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The General Fund of the District is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). *Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.* The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of *operating income, changes in net assets and financial position.* All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

BUDGET

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end. The General Fund budget is adopted on a basis consistent with *accounting principles generally accepted in the United States of America.* The District did not amend its budget during 2004 or 2003.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in *demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.*

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CAPITAL ASSETS

All fixed assets are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes equipment in excess of \$2,500. The following estimated useful lives and methods are used to compute depreciation:

Buildings and Improvements	10 - 30 years	Straight Line
Vehicles	10 - 15 years	Straight Line
Machinery and Equipment	5 - 15 years	Straight Line
Office Equipment	5 - 10 years	Straight Line

Depreciation expense amounted to \$55,936 and \$56,829, respectively for the years ended December 31, 2004 and 2003.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

USE OF RESTRICTED/UNRESTRICTED NET ASSETS

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B

AD VALOREM TAXES

Property taxes for the operations of the District are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2004. Taxes are due and payable December of the following year.

NOTE C

CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2004:

Demand Deposits	<u>\$ 35,199</u>
-----------------	------------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the District has \$47,516 in deposits (collected bank balances) which is fully secured by federal deposit insurance.

NOTE D

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the District carried insurance through various commercial carriers to cover all risks of losses. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE E

CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004 are as follows:

	For the Year Ended December 31, 2004			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land	\$ 566,400	\$ -	\$ -	\$ 566,400
Capital Assets Being Depreciated:				
Buildings and Improvements	472,787	-	-	472,787
Vehicles	416,032	139,580	-	555,612
Machinery and Equipment	88,207	22,749	-	110,956
Office Equipment	17,250	-	-	17,250
Total Capital Assets Being Depreciated	994,276	162,329	-	1,156,605
Less Accumulated Depreciation for:				
Buildings and Improvements	(92,104)	(12,171)	-	(104,275)
Vehicles	(127,464)	(36,635)	-	(164,099)
Machinery and Equipment	(55,372)	(6,354)	-	(61,726)
Office Equipment	(14,776)	(776)	-	(15,552)
Total Accumulated Depreciation	(289,716)	(55,936)	-	(345,652)
Total Capital Assets Being Depreciated - Net	704,560	106,393	-	810,953
Capital Assets - Net	\$ 1,270,960	\$ 106,393	\$ -	\$ 1,377,353

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE E

CAPITAL ASSETS (continued)

	For the Year Ended December 31, 2003			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 566,400	\$ -	\$ -	\$ 566,400
Capital Assets Being Depreciated:				
Buildings and Improvements	472,787	-	-	472,787
Vehicles	296,532	119,500	-	416,032
Machinery and Equipment	84,320	3,887	-	88,207
Office Equipment	17,250	-	-	17,250
Total Capital Assets Being Depreciated	870,889	123,387	-	994,276
Less Accumulated Depreciation for:				
Buildings and Improvements	(79,684)	(12,420)	-	(92,104)
Vehicles	(90,291)	(37,173)	-	(127,464)
Machinery and Equipment	(49,712)	(5,660)	-	(55,372)
Office Equipment	(13,200)	(1,576)	-	(14,776)
Total Accumulated Depreciation	(232,887)	(56,829)	-	(289,716)
Total Capital Assets Being Depreciated - Net	638,002	66,558	-	704,560
Capital Assets - Net	\$ 1,204,402	\$ 66,558	\$ -	\$ 1,270,960

NOTE F

INVESTMENTS

Investments of \$63,725, which are stated at market using published quotes as of December 31, 2004, are in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities; as well as repurchase agreements collateralized by those securities.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F

INVESTMENTS (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE G

LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE

Plan Description. Substantially all employees of Fire Protection District No. 2 of St. Tammany Parish are members of the Louisiana Firefighters Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H

LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement system, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8% of their annual covered salary and Fire Protection District No. 2 of St. Tammany Parish is required to contribute at an actuarially determined rate. The current rate is 21 % of annual covered payroll. The contribution requirements of plan members and **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. **ST. TAMMANY PARISH FIRE DISTRICT NO. 2's** contributions to the System for the years ending December 31, 2004, 2003, and 2002 were \$44,157, \$33,984, and \$18,973, respectively.

NOTE I

2% FIRE INSURANCE TAX

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that they serve. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection as the District shall direct.

NOTE J

LONG-TERM DEBT

The following is a summary of bond transactions of the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** for the periods ended December 31, 2004 and December 31, 2003:

	<u>Capital Lease</u>	<u>Certificates of Indebtedness</u>	<u>Total</u>
Payable at January 1, 2003	\$ 103,772	\$ -	\$ 103,772
Issued	-	122,000	122,000
Retired	(23,795)	-	(23,795)
Payable at December 31, 2003	79,977	122,000	201,977
Issued	-	143,000	143,000
Retired	(25,173)	(23,000)	(48,173)
Payable at December 31, 2004	\$ 54,804	\$ 242,000	\$ 296,804

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J

LONG-TERM DEBT (Continued)

Long-Term Debt consists of the following at December 31, 2004:

Capital lease dated April 17, 2001 due in annual, principal installments of \$29,804, with interest at 5.79% through July 30, 2006, secured by equipment with a book value of \$96,556	<u>\$ 54,804</u>
\$122,000 Certificate of Indebtedness dated February 21, 2003; balance due in annual principal installments, starting March 1, 2004, of \$23,000 - \$26,000 plus semiannual interest payments through March 1, 2008; with interest at 3%	\$ 99,000
\$143,000 Certificate of Indebtedness dated September 27, 2004; balance due in annual principal installments, starting March 1, 2005, of \$27,000 - \$31,000 plus semiannual interest payments through March 1, 2009; with interest at 3.75%	<u>143,000</u>
	<u>\$ 242,000</u>

The following is a schedule of future principal debt service requirements:

Year Ending <u>December 31,</u>	<u>Capital Lease</u>		<u>Certificate of Indebtedness</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 26,631	\$ 3,173	\$ 51,000	\$ 7,079	\$ 77,631	\$ 10,252
2006	28,173	1,631	52,000	5,815	80,173	7,446
2007	-	-	53,000	3,930	53,000	3,930
2008	-	-	55,000	2,096	55,000	2,096
2009	-	-	31,000	581	31,000	581
	<u>\$ 54,804</u>	<u>\$ 4,804</u>	<u>\$ 242,000</u>	<u>\$ 19,501</u>	<u>\$ 296,804</u>	<u>\$ 24,305</u>

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended December 31, 2004

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad Valorem Taxes	\$ 580,000	\$ 580,000	\$ 617,134	\$ 37,134
Revenue Sharing	-	-	23,126	23,126
Rentals	-	-	16,181	16,181
Grant	-	-	73,992	73,992
Donations	-	-	32,200	32,200
Fire Insurance Rebate	-	-	17,324	17,324
Earnings on Investments	-	-	788	788
Miscellaneous	27,000	27,000	786	(26,214)
Total Revenues	<u>607,000</u>	<u>607,000</u>	<u>781,531</u>	<u>174,531</u>
EXPENDITURES				
Salaries	300,000	300,000	253,544	46,456
Grant Expenditures	-	-	72,099	(72,099)
Insurance	79,250	79,250	61,041	18,209
Retirement	60,000	60,000	44,157	15,843
Communications	19,800	19,800	33,656	(13,856)
Repairs and Maintenance	16,000	16,000	33,533	(17,533)
Operating Supplies	15,000	15,000	25,868	(10,868)
Pension Deduction	11,550	11,550	17,594	(6,044)
Professional Services	1,500	1,500	16,965	(15,465)
Fuel	13,200	13,200	11,781	1,419
Utilities	12,000	12,000	9,012	2,988
Uniforms	1,500	1,500	6,188	(4,688)
Education and Training	5,000	5,000	6,037	(1,037)
Other	9,075	9,075	5,326	3,749
Payroll Taxes	31,625	31,625	4,410	27,215
Office Supplies	1,500	1,500	2,548	(1,048)
Debt Service - Capital Lease				
Principal	-	-	25,173	(25,173)
Interest	-	-	4,631	(4,631)
Debt Service - Certificates of Indebtedness				
Principal	-	-	23,000	(23,000)
Interest	-	-	3,315	(3,315)
Capital Expenditures	30,000	30,000	162,329	(132,329)
	<u>607,000</u>	<u>607,000</u>	<u>822,207</u>	<u>(215,207)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(40,676)	(40,676)
OTHER FINANCING SOURCES				
Proceeds from Certificate of Indebtedness	-	-	143,000	143,000
CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>102,324</u>	<u>\$ 102,324</u>
FUND BALANCE - BEGINNING OF YEAR			<u>616,549</u>	
FUND BALANCE - END OF YEAR			<u>\$ 718,873</u>	

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended December 31, 2003

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Ad Valorem Taxes	\$ 515,535	\$ 515,535	\$ 542,589	\$ 27,054
Revenue Sharing	-	-	23,093	23,093
Rentals	-	-	5,007	5,007
Fire Insurance Rebate	-	-	16,169	16,169
Earnings on Investments	-	-	1,557	1,557
Miscellaneous	27,500	27,500	21,587	(5,913)
Total Revenues	<u>543,035</u>	<u>543,035</u>	<u>610,002</u>	<u>66,967</u>
EXPENDITURES				
Salaries	285,000	285,000	256,967	28,033
Insurance	62,825	62,825	54,616	8,209
Communications	18,000	18,000	35,865	(17,865)
Retirement	25,550	25,550	33,984	(8,434)
Operating Supplies	11,000	11,000	29,830	(18,830)
Repairs and Maintenance	16,000	16,000	27,242	(11,242)
Pension Deduction	11,550	11,550	15,756	(4,206)
Other	3,750	3,750	14,584	(10,834)
Professional Services	7,500	7,500	14,547	(7,047)
Utilities	11,000	11,000	8,534	2,466
Education and Training	5,000	5,000	7,127	(2,127)
Fuel	12,000	12,000	6,447	5,553
Payroll Taxes	26,400	26,400	5,189	21,211
Uniforms	1,500	1,500	3,736	(2,236)
Office Supplies	1,200	1,200	3,276	(2,076)
Debt Service - Capital Lease				
Principal	-	-	23,795	(23,795)
Interest	-	-	6,008	(6,008)
Debt Service - Certificate of Indebtedness				
Interest	-	-	1,932	(1,932)
Capital Expenditures	<u>45,510</u>	<u>45,510</u>	<u>123,387</u>	<u>(77,877)</u>
	<u>543,785</u>	<u>543,785</u>	<u>672,822</u>	<u>(129,037)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(750)	(750)	(62,820)	(62,070)
OTHER FINANCING SOURCES				
Proceeds from Certificate of Indebtedness	-	-	122,000	122,000
CHANGE IN FUND BALANCES	<u>\$ (750)</u>	<u>\$ (750)</u>	59,180	<u>\$ 59,930</u>
FUND BALANCE - BEGINNING OF YEAR			557,369	
FUND BALANCE - END OF YEAR			<u>\$ 616,549</u>	

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH FIRE DISTRICT NO. 2

SCHEDULE OF GOVERNING BOARD

December 31, 2004

Tom Adouc 836 Old Ponchatoula Highway Madisonville, LA 70447	-0-
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Jim Bouey P. O. Box 142 Madisonville, LA 70447	-0-
--	-----

Bob Christman 40 Oaklawn Covington, LA 70433	-0-
--	-----

John Beryl 24 Dahlia Drive Covington, LA 70433	-0-
--	-----

Tim Hymel P. O. Box 913 Madisonville, LA 70447	-0-
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
St. Tammany Parish Fire District No. 2

We have audited the financial statements of **ST. TAMMANY PARISH FIRE DISTRICT NO. 2** as of and for the year ended December 31, 2004 and have issued our report thereon dated May 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **ST. TAMMANY PARISH FIRE DISTRICT NO. 2's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; noncompliance with which could have a direct and *material effect on the determination of financial statement amounts*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the following paragraph.

For the year ended December 31, 2003, actual expenditures of \$672,822 exceeded budgeted appropriations of \$543,785 resulting in an unfavorable variance of \$129,037 (23.7% unfavorable). Also, for the year ended December 31, 2004, actual expenditures of \$822,207 exceeded budgeted appropriations of \$607,000 resulting in an unfavorable variance of \$215,207 (35.4% unfavorable). Louisiana Revised Statutes 39:1310 requires the District to amend its budget when it determines that actual expenditures are going to exceed budgeted appropriations by more than 5%. The variances for both years exceed 5%. Also, the District did not publish an advertisement that the budget would be available for public inspection.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



A Professional Accounting Corporation

May 2, 2005

ST. TAMMANY FIRE PROTECTION DISTRICT NO. 2
P.O. BOX 795
MADISONVILLE, LA 70448

May 17, 2005

Legislative Audit Advisory Committee
P. O. Box 94397
Baton Rouge, LA 70804-9397

To Whom it May Concern:

For the years ended December 31, 2004 and 2003, our general fund actual expenditures exceeded budgeted by more than 5%. Also, we did not publish a notice stating that proposed budgets were available for public inspections. We will institute procedures to monitor budget to actual reports on a periodic basis, and we will amend future budgets as necessary. We will also advertise future budgets.

Sincerely



John Beyl
Chairman